

FISCAL NOTE

HB 143 - SB 839

March 7, 2005

SUMMARY OF BILL: Requires the Department of Health to create a pharmaceutical assistance program to provide discounts to members. Any state resident would be eligible for the program, unless eligible for the state's Medicaid program or covered by an insurance policy with drug benefits. The Department is required to negotiate discount prices or rebates with prescription drug manufacturers and labelers. All manufacturers and labelers of drugs participating in the TennCare medical assistance program would be required to participate in the drug rebate program. Non-compliance could result in termination from the prior authorization list.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures – Exceeds \$2,000,000/Administrative Cost
Exceeds \$200,000,000/Pharmacy Reimbursements**

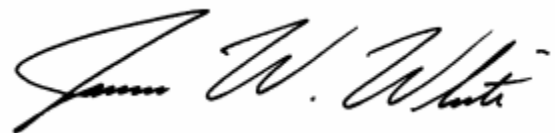
Increase State Revenues – Exceeds \$202,000,000/Pharmacy Rebates

Assumptions:

- An estimated 500,000 people will be eligible and participate in the program.
- The Department of Health will require additional staff to administer the program including staff to: negotiate and collect rebates; process applications and issue identification cards; audit claims and payments and resolve disputes; develop, issue and evaluate an RFP, process and pay claims, and contract with the pharmacies; and clerical staff. Administrative costs are estimated at \$2,000,000.
- Any revenue from rebates remaining after administrative expenses will pay pharmacies for discounts.
- Approximately 24,000,000 claims per year at an average price of \$44.42 totals \$1,066,080,000 in prescription drug costs.
- The TennCare program currently receives rebates of approximately 19%. Based upon average cost and drug usage in the TennCare program, annual rebates would exceed \$200,000,000 in rebate revenue.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



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James W. White, Executive Director